



MEMORANDUM

January 9, 2004

TO: Board of Directors

FROM: Dan Birch

RE: Elkhead Update

INTRODUCTION AND BACKGROUND

We do not have any items for Board action at this time. However, our negotiations have progressed to a point that we need to review with you several negotiated concepts and matters pertaining to our agreements with the State and Federal agencies regarding the Recovery Program part of the project and with our Reservoir Operating Agreement with Craig and the power companies. These matters will be presented in a separate confidential memorandum and we recommend they are discussed in executive session under the General Counsel's report.

In October, we hoped that progress on our agreements would be sufficient to be able to allow staff to recommend to you in January that we proceed with final engineering. While we have made significant progress, it has not been sufficient to prompt us to recommend final engineering. Our hope at this point is to be able to do that in April. If that's the case and all else goes well, we could start construction either late in 2004 or early in 2005.

PERMITTING

Previously, we reported that submittal of the 404-permit application has been delayed by unexpected developments related to the completion of the Management Plan for Endangered Fishes in the Yampa River Basin (Yampa Plan). We now expect to be able to submit the permit application in February, 2004.

PROPERTY ACQUISITION

Surveys of the private properties that we need to acquire are complete and Ray Tenney met yesterday with the property owners. We hope to tender offers within the next few months.

Our proposed land exchange with the State Land Board for their fee property interest at the reservoir for our Juniper properties has been delayed because of a delay in obtaining appraisals ordered by the Land Board. These were expected no later than last month, but have not been received as of last week. We are awaiting word about when they are expected.